

Case Study

An African Furniture Company

Service(s) offered: **Market assessment, Competition Mapping, Identifying Target Market and Initial point of Entry**

Sector/Industry: **Consumer Durables**



Supporting African Conglomerate in developing an India entry strategy for Furniture Wholesale Trading

Our client is a billion-dollar investment holding company based out of Africa and currently holds investments in over 50 companies under three divisions - Financial Services, Commerce and Industry, and Services.

One of the companies in the group, which deals in consumer goods, was interested in entering the Indian market to conduct wholesale trading in the furniture market. In this regard, they approached us to support them in their India growth plan.

Solution

In pursuit of this objective, we conducted a market assessment, competition mapping, and evaluated various distribution channels and supply chain networks in the organized and unorganized market.

We identified target markets and the initial point of entry based on external environment such as market growth, competition, logistics, etc.

We used a combination of primary and secondary research to deliver the report as per the proposed scope. The assignment was structured in four areas:

Case Highlights

- Our client approached us to support them in their India expansion plan
- We conducted a market study to gain sector and local insights from the organized and unorganized sector present in the market
- We recommended a target market for the client's product portfolio and the initial point of entry
- Assisted them in creating a tax efficient supply chain and distribution structure inline with the Indian ecosystem

Preparatory Work

- Selected target cities to conduct market study: As per the mandate, four cities, namely Mumbai, Pune, Chennai and Bangalore were chosen for conducting market study
- Identified relevant clusters and stakeholders to conduct proposed survey in each city: We had identified relevant furniture clusters and stakeholders in each city for market study.

Information gathering and analysis

Primary interviews were conducted in the four cities with the following stakeholders in the furniture industry value chain:

- Furniture manufacturers
- Furniture retail chains or shops (organised and unorganised)
- E-commerce companies (dealing in furniture business)
- Third Party Logistic (3PL) companies
- Custom house agents
- Institutional buyers (hotels, hospitals, etc.)
- Consolidators
- Industry experts

We interviewed 100+ stakeholders in India. The objective of the survey was to capture the following:

- Market Assessment: A comprehensive analysis of market forces, market trends, product segments, entry barriers, risks, opportunities and challenges.
- Competition Mapping: Analysis of various furniture manufacturers, retail chains, traders, e-commerce companies and their products, market operations, sales, promotion and brand building practices, strengths and weaknesses in the organized and unorganized market.

Supply Chain Analysis

- We analyzed the sales and distribution models of the key furniture players and furniture retail chains, which includes information about their mode of operation, dealers, distributors, port of import, type and location of warehouse(s), information about various stakeholders involved from manufacturing/importing to delivering goods to end customers.
- We evaluated the business models of e-commerce companies in the furniture business.
- We evaluated margins, terms of trade at each intermediary level in the distribution channel.
- We mapped the supply chain with indirect tax cost at each stage and evaluate the possibilities to mitigate the said tax cost.

Tax and Regulatory Scrutiny

We analyzed product packaging related regulations while importing furniture to India, compared various warehouses from a commercial and tax perspective, and the structure of relevant taxes and duties applicable for the same.

Impact

Based on our findings and meticulous analysis of quantitative and qualitative information, we recommended the following:

- The target market for the client's furniture product portfolio and the initial point of entry considering the external environment
- A tax efficient supply chain and distribution structure in line with the Indian ecosystem
 - We recommended possible arrangements between various entities in the supply chain structure from a tax cost mitigation perspective
 - We suggested the type and location planning of the possible warehouse(s)/depot(s)
- Located ports for importing furniture products

For more information on this case study, please write to us at:

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www.nexdigm.com